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**FAMOUS
PLAYERS**
Theatres

46th

**ANNUAL
REPORT**

TO SHAREHOLDERS

FAMOUS PLAYERS CANADIAN CORPORATION LIMITED

FAMOUS PLAYERS CANADIAN CORPORATION LIMITED

CHAIRMAN: ROBERT W. J.

PRESIDENT: ROBERT W. J.

VICE-PRESIDENTS: ROBERT W. J.

MANAGING DIRECTOR: ROBERT W. J.

DIRECTORS: ROBERT W. J.

EXECUTIVE VICE-PRESIDENT: ROBERT W. J.

SENIOR VICE-PRESIDENT: ROBERT W. J.

VICE-PRESIDENT: ROBERT W. J.

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FAMOUS PLAYERS CANADIAN CORPORATION LIMITED

EXECUTIVE OFFICES: 130 BLOOR STREET WEST, TORONTO 5, CANADA

FAMOUS PLAYERS CANADIAN CORPORATION LIMITED

DIRECTORS

BARNEY BALABAN Chairman, Board of Directors, Paramount Pictures Corporation, New York, N.Y.
R. W. BOLSTAD Toronto, Ontario
HON. J. W. de B. FARRIS, Q.C. Senator of Canada, Vancouver, B.C.
J. J. FITZGIBBONS, C.B.E. Scarsdale, N.Y.
ANGUS MacCUNN Toronto, Ontario
GASTON PRATTE Quebec, Que.
PAUL RAIBOURN Senior Vice-President, Paramount Pictures Corporation, New York, N.Y.
JAMES H. RICHARDSON Treasurer, Paramount Pictures Corporation, New York, N.Y.
RT. HON. LOUIS S. ST-LAURENT, Q.C., LL.D., P.C. Quebec, Que.
HON. JOSEPH A. SULLIVAN, M.B., F.R.C.S. (C), Q.H.S. Senator of Canada, Toronto, Ontario

OFFICERS

J. J. FITZGIBBONS, C.B.E. Chairman of the Board
R. W. BOLSTAD President and Managing Director 782-5543
ANGUS MacCUNN Vice-President and Secretary 483-7760 to call
W. A. SUMMERVILLE Vice-President, Theatre Operations, Eastern Division
R. J. EVES Vice-President, Theatre Operations, Western Division
EUGENE E. FITZGIBBONS Vice-President, Communications Management
K. J. EASTON, P.Eng. Vice-President, Communications Operations
C. S. DOIDGE, C.A. Treasurer 221-6523, 221-6783
R. F. BEAUVAIS Assistant-Secretary
J. A. TROYER Assistant-Secretary
JOSEPH P. WHYTE Assistant-Treasurer
T. W. NAYLOR Assistant-Treasurer 489-5374

TRANSFER AGENT

MONTREAL TRUST COMPANY Halifax, Montreal, Toronto, Winnipeg, Vancouver

REGISTRAR

THE ROYAL TRUST COMPANY Halifax, Montreal, Toronto, Winnipeg, Vancouver

HEAD OFFICE DEPARTMENTS

130 BLOOR STREET WEST, TORONTO

T. W. NAYLOR Accounting

JOSEPH P. WHYTE Auditing

BEN GELDSALER Film Buying and Booking

FRED A. MORLEY Insurance

JAMES R. NAIRN Public Relations and Advertising

JULES S. WOLFE Purchasing, Engineering and Maintenance

R. J. WIDDICOMBE Real Estate

R. F. BEAUVAIS Secretarial

J. A. TROYER Statistical

D. JUNKIN CATV Engineering

THEATRE SUPERVISION

ALBERTA, SASKATCHEWAN and MANITOBA
Capitol Theatre Building, Winnipeg, Manitoba

JOHN FERGUSON Division Supervisor

BRITISH COLUMBIA
719 Seymour Street, Vancouver, B.C.

MAYNARD S. JOINER Division Supervisor

DOUGLAS A. GOW District Manager

NEW BRUNSWICK and NOVA SCOTIA
Capitol Theatre Building, Halifax, Nova Scotia

LES E. MITCHELL District Manager

ONTARIO and QUEBEC
130 Bloor Street West, Toronto, Ontario

RUSSELL M. McKIBBIN Executive Assistant to Vice-President,
Theatre Operations, Eastern Division
and District Manager

DAN E. KRENDEL District Manager

MORT J. MARGOLIUS District Manager

METROPOLITAN CABLEVISION COMPANY

23 CHAUNCEY AVENUE, TORONTO 18

F. VERKAIK Manager

THEATRE CONFECTIONS LIMITED

284 KING STREET EAST, TORONTO

J. J. FITZGIBBONS, JR. President and General Manager

FRANK C. TROY Vice-President

GERALD R. DILLON Ontario Division Manager

BRANCH MANAGERS

LIONEL W. GIBB Winnipeg

WILLIAM GIGLIO Vancouver

JAMES SPEIRAN Montreal

LEONARD TUROLDO Toronto "B" District

JOHN DYMONT Toronto Parks and Drive-In Concessions

GENERAL SOUND AND THEATRE EQUIPMENT LIMITED

7 BANIGAN DRIVE, TORONTO

LLOYD C. PEARSON President and General Manager

A. D. TURNBULL Chief Engineer

DISTRICT MANAGERS

R. WALTER MANN Winnipeg

CECIL L. JOHNSTON Saint John

JOHN K. KILCULLEN Montreal

RAYMOND L. TOWNSEND Vancouver

WILLIAM L. WALTERHOUSE Theatre Division, Toronto

PATRICK L. SHEA Communications Systems Division, Toronto

TO THE SHAREHOLDERS:

Your Directors are pleased to present the Forty-Sixth Annual Report of your Company.

The profit for the year (excluding profits or losses on the Sale of Fixed Assets) was \$2,474,678 or \$1.42 per share as compared to \$2,184,582 or \$1.26 per share in 1964.

A net loss of \$42,638 was incurred in the Sale of Fixed Assets during the year as compared to a net profit of \$59,089 in 1964.

The following is a comparative summary of the earnings for the two years:

	<u>1965</u>	<u>1964</u>
Gross revenue from Operations (excluding Amusement Taxes)	\$28,347,758	\$26,376,910
Earnings from Operations	3,875,329	3,407,640
Depreciation	1,120,830	1,103,510
Earnings after Depreciation	\$ 2,754,499	\$ 2,304,130
Dividends Received — Affiliated Companies	972,584	926,379
— Other Companies	51,999	24,441
Interest Earned and Profit on Sale of Securities	423,119	434,260
Profits applicable to Minority Interests	(255,404)	(258,141)
Profit from Operations	\$ 3,946,797	\$ 3,431,069
Provision for Income Taxes	1,472,119	1,246,487
Net Profit (excluding profit or loss on Sale of Fixed Assets)	\$ 2,474,678	\$ 2,184,582
Profit or (loss) on Sale of Fixed Assets	(42,638)	59,089
Net Profit	\$ 2,432,040	\$ 2,243,671
Profit per share—Operations	\$ 1.42	\$ 1.26
Profit or (loss) per share—Sale of Fixed Assets	(.02)	.03
Total Profit per Share	\$ 1.40	\$ 1.29

For the third year in a row we are pleased to be able to report an improvement in our theatre grosses and attendance, and a satisfactory increase in Profit from Operations. This has resulted from several factors — a buoyant economy, somewhat higher admission prices and a continuation of the better flow of box office attractions for our theatres which in turn reflects the increase in confidence which the producers of motion pictures generally have in the future of our business.

FINANCIAL POSITION

Notwithstanding the substantial additions which were made to our Fixed Assets during the year and the increase in Investments in Shares of and Advances to Affiliated Companies, our financial position continues to be very strong with Net Current Assets at the year end of \$7,760,762 as compared to \$7,995,658 at the end of 1964. At the end of 1965, the cash, short term investments and marketable securities included in our Current Assets amounted to \$7,126,422 as compared to \$6,626,861 at the end of 1964. This is exclusive of that portion of notes and mortgages receivable (due after one year) in the amount of \$1,290,151 which are well secured, in good standing and marketable.

A statement of the Source and Disposition of Funds during the year is included in this report.

The Shareholders' equity in the Company re-

presented by Capital Stock and Retained Earnings increased during 1965 by \$694,968 and at the year end the net book value of each common share outstanding amounted to \$18.34. Dividends of \$1.00 per share were paid during 1965, being at the rate of 25 cents per quarterly period. This payment for the first quarter of 1966 has been increased to 27½ cents per share.

As at February 23rd, 1966, the number of Shareholders of your Company was 6,287. Of these, 6,157 were resident in Canada. During the past three years the number of Shareholders has been reduced from a total of 7,938 to the present total of 6,287. This reduction reflects a fairly substantial transfer of shares out of the hands of individuals into the portfolios of Insurance Companies, Investment Trusts and Mutual Funds.

Your Company's investment in shares of Affiliated Companies is carried on the Balance Sheet at \$5,289,214, a slight increase of \$42,039 during the year. The underlying book value of the Net Tangible Assets of these investments is about \$9,400,000 and your Company's share of the net profits of these Companies in 1965 was about \$1,374,000. The dividends received on these investments amounted to \$972,584 as compared to \$926,379 in 1964.

PROPERTIES

At the year end your Company had an interest in 257 regular theatres and 47 drive-in theatres

which is an overall increase of eight theatres during the year. In 1965 we sold two small indoor theatres and did not renew the leases on four other theatres which expired.

We and our Affiliated Companies have a number of new theatre projects under way, the most important of which are —

A single auditorium theatre in the Westmount Centre in Montreal, which is a large complex consisting of an office building, apartment building and shopping centre. This theatre will probably not be ready until early in 1967.

A triple auditorium theatre in the Lincoln Centre Shopping Centre in Ottawa, which will probably be completed around the end of 1966.

A single auditorium theatre in Stellarton, Nova Scotia, which is being erected by Mr. Frank Sobey of Sobey's Stores Limited and which will be operated jointly with him.

A single auditorium theatre in the Laurier Shopping Centre in Quebec City, which will be opened about the middle of this year.

A single auditorium theatre in the Parkwood Shopping Centre in Prince George, B.C., which we expect to open on April 8th next.

A dual auditorium theatre in the Fairview Pointe Claire Shopping Centre in Montreal. Construction on this theatre has been somewhat delayed and it will probably not be opened until around the end of this year.

A dual auditorium theatre in the Pen Centre in St. Catharines, which is being built for us, is now scheduled to open in June of this year.

As we have previously advised you, the theatre in the Toronto-Dominion Centre in Toronto will probably not be completed until some time in 1967.

While we are expanding our operations with the addition of new theatre projects such as those referred to, we are at the same time continuing our policy of renovating and modernizing our existing theatres in those situations where such expenditures are needed and justified by operating results.

SUNDAY MOVIES

In the elections which were held in various Municipalities in Ontario in December of 1965, Sunday Movies were approved by the voters in 12 cities and townships and were rejected in only two small situations. This means that for all practical purposes all cities and towns in Ontario now have Sunday Movies.

We regret to advise, however, that little or no progress has been made in those other Provinces such as Alberta and Saskatchewan which prohibit Sunday Movies entirely, or in British Columbia where Sunday Movies are allowed only in the City of Vancouver.

As it is obvious from our experience that the operation of motion picture theatres on Sunday

has received complete acceptance from the general public and has in no way brought adverse criticism, we, in association with others in the Industry, are continuing our efforts to make Sunday Movies available throughout the country.

COMMUNITY ANTENNA SYSTEMS

All of our Affiliated Companies which operate Community Antenna Television Systems made good progress during 1965. At the year end, these systems were serving about 90,000 subscribers, as compared to about 72,500 subscribers at the end of 1964.

These companies contributed only about \$55,000 in dividend income to your Company during 1965, but we anticipate that as they continue to grow and as they pay off prior obligations, they will make a more substantial contribution to our consolidated net profits.

Recently, two of our affiliated Companies, Cable T.V. Ltd. and Bushnell TV Co. Limited, joined together to form another new Company, Laurentian Cablevision Limited, which has acquired and is now operating a CATV system in Hull, Quebec. This system presently has about 3,900 subscribers, with a substantial potential for future growth.

Bushnell TV Co. Limited and Cable T.V. Ltd. have also joined with an important group of local citizens in Ottawa to form Skyline Cablevision

Limited, which Company in turn has an application pending with the City of Ottawa for the establishment of a CATV system in that city.

Subject to securing the necessary Department of Transport approvals, we also have plans under way, in association with others, to establish CATV systems in Oshawa and Chatham, Ontario. In order to ascertain whether or not a profitable market can be developed in the Toronto area for a Community Antenna Service, we now have a pilot system under way in a section of Etobicoke, a suburb of Toronto which was formerly served by our Telemeter system.

TELEVISION

Television de Quebec (Canada) Limitee of Quebec City, which operates CFCM-TV (French Language) and CKMI-TV (English Language) had a very successful year in 1965 and its management anticipates that the results for 1966 may even surpass the fine performance of last year. Notwithstanding the fact that it now has to meet the competition of the French language CBC station, CFCM-TV is still the number one station in the Quebec City market in viewers and acceptance by National advertisers.

CKCO-TV and CKKW, the television and radio stations operated by Central Ontario Television Limited in Kitchener, showed substantial improvement in their operating results in 1965. Radio

broadcasting billings, after a pause brought about by the introduction of television, have been achieving a healthy growth rate in recent years, and CKKW is enjoying a growth rate in excess of the Industry average. The most recent survey shows CKCO-TV reaching more homes per week than any other English language station anywhere in Canada, except those located in Montreal, Toronto, Vancouver and Hamilton.

Central Ontario has recently received approval from the Board of Broadcast Governors to establish a high powered FM radio station in Kitchener, which it expects to have in operation before the end of the year.

British Columbia Television Broadcasting Systems Limited, which operates station CHAN-TV in Vancouver and CHEK-TV in Victoria, also enjoyed its most successful year to date and after several years of difficulties appears to be well on the road to becoming one of the more important television companies in Canada.

CJOH-TV (Bushnell TV Co. Limited, Ottawa) also enjoyed another successful year in 1965.

All of these stations have received the Board of Broadcast Governors and Department of Transport permission to broadcast colour programmes from the official starting date on October 1st, 1966. Each of them will be well equipped for colour before that date and will programme a large proportion of their daytime and evening schedules

with both Canadian and imported colour shows in the new season starting in October.

CKCO-TV, CHAN-TV and CJOH-TV are all affiliates of the CTV Television Network. They, and the other Affiliates of the Network have recently secured approval from the Board of Broadcast Governors to purchase all of the outstanding shares of the Network which were previously owned by private investors. It is expected that this will result in the stations taking a more active part in the production of programmes for the Network and as a result, the Network will be able to provide a better service for the television viewers in the areas that are served by the CTV Affiliates.

OTHER INTERESTS

Our wholly owned subsidiary, **Theatre Confections Limited**, which supplies a complete confection service to theatres, arenas, parks, auditoriums and so forth, all over Canada, continues to provide a useful service and to operate successfully.

Reflecting an improvement in the theatre equipment supply business because of more new theatre construction and the replacement of some obsolete equipment in existing theatres, **General Sound and Theatre Equipment Limited** enjoyed a reasonably successful year. In the non-theatre field, it is gratifying to note that among the many

jobs completed by General Sound during 1965 were sound and communication equipment installations in the Chateau Laurier, Ottawa, Sherbrooke Nursing Home, Sherbrooke, Charlottetown Hospital, Charlottetown, The Ford Motor Company, Oakville, Church of St. Andrew and St. Paul, Montreal, and the Fairview Shopping Centre, Pointe Claire, Quebec. General Sound is also supplying the National Film Board with several special 35mm and 70mm projectors and Xenon lamps which will be used in the Film Board's exhibits in Expo '67.

Associated Broadcasting Corporation Limited, which holds the Ontario franchise for Muzak and in which your Company has a 50% interest continues to make fine progress and is now providing background music by direct wire or by means of F.M. multiplexing facilities to more than 1200 offices, hotels, factories, restaurants and banks in Ontario. It continues to be the largest Muzak franchise holder in the world. Profits earned are being used to pay off capital obligations and to expand the system.

The Airliner Motor Hotel Restaurant and Black Knight Tavern in Winnipeg, in which your Company has a 50% interest enjoyed another successful year and continues to retain its popularity with the travelling public and the residents of Winnipeg.

It is gratifying to note that for the first time in several years there has been an overall increase

in attendance and income in our various **Bowling Centres** since the beginning of the current season which started in September 1965. We are hopeful that this might be an indication that bowling is beginning to regain its former status as a profitable segment of the entertainment industry.

MOTION PICTURE PRODUCTION

Three of our key city theatres have now commenced their second year of presenting the 20th Century-Fox feature, **THE SOUND OF MUSIC**, as a road-show engagement on a reserved seat policy. These are the Eglinton in Toronto; the Seville in Montreal and the Ridge in Vancouver. There is every indication that this picture will go on to break all attendance records in our theatres.

In the past few years, the announcement of the Academy Award nominees has had a stimulating effect on the business being done by those pictures that are nominated or those that have in their casts actors or actresses who have been nominated.

In addition to **THE SOUND OF MUSIC**, which received ten nominations, Famous Players' theatres are showing an exceptional number of other films which have received nominations for the Academy Awards. These include the following:

Paramount's **THE SPY WHO CAME IN FROM THE COLD**, in which Richard Burton received a nomination for best actor.

Metro-Goldwyn-Mayer's great production DR. ZHIVAGO, which will be our next road-show feature at the University Theatre in Toronto and the Alouette Theatre in Montreal, also captured ten Academy Award nominations. THE GREAT RACE from Warner Brothers, which is now in general release in some of our theatres, won five Award nominations and Warner's INSIDE DAISY CLOVER was the winner of one nomination.

Fox's THE AGONY AND THE ECSTASY, another road-show film now playing in some of our theatres, won five nominations and THE FLIGHT OF THE PHOENIX was also a nomination winner.

Metro's A PATCH OF BLUE, which we are now starting to present in some of our theatres also won five nominations in the Academy Award contest, and is doing outstanding business.

Martin Balsam was nominated for his performance in A THOUSAND CLOWNS, which is being released by United Artists.

Among the other outstanding pictures which will be playing in many of our theatres during the coming months, will be the following:

Very shortly Paramount will feature in many of our theatres the new comedy team, Marty Allen and Steve Rossi in the hilarious THE LAST OF THE SECRET AGENTS; Frank Sinatra in ASSAULT ON A QUEEN; Elvis Presley in PARADISE-HAWAIIAN STYLE; Steve Mc-

Queen in NEVADA SMITH, which is by the author of THE CARPETBAGGERS and THIS PROPERTY IS CONDEMNED, which features Canada's Kate Reid. After a long absence, Paramount is also bringing to a few of our key theatres as an Easter release, Cecil B. DeMille's classic, THE TEN COMMANDMENTS. In the fall of this year Paramount will release as a road-show attraction, IS PARIS BURNING? which is from the best selling book of the same name.

From Metro we will have THE SINGING NUN, with Debbie Reynolds and Greer Garson; HOTEL PARADISO with Gina Lollobrigida and Alec Guinness and Sophia Loren and Paul Newman in LADY L.

20th Century-Fox has completed the production of THE BIBLE, which has an outstanding cast and which will be presented as a road-show attraction later in the year. 20th Century-Fox will also feature as a road-show attraction, BLUE MAX, which stars Ursula Andress and James Mason. Other important pictures from this Company which we will present in many of our theatres are STAGE COACH, with Ann-Margret and Bing Crosby; MODESTY BLAISE starring Dick Bogarde and Terence Stamp and a most unusual production, FANTASTIC VOYAGE.

Walt Disney's Easter feature is a revival of his cartoon classic BAMBI. During the summer months Mr. Disney will also present LT. ROBIN CRUSOE, U.S.N. with Dick Van Dyke and a re-release of Julie Andrews in "Mary Poppins."

Warner Brothers now have the box office champion, "MY FAIR LADY" in general release as well as the four Academy Award nominee, "OTHELLO" Warners also bring us in the near future "WHO'S AFRAID OF VIRGINIA WOOLF?" starring Elizabeth Taylor and Richard Burton; "HARPER" with Paul Newman and Julie Harris and "BIG HAND FOR THE LITTLE LADY" with Henry Fonda, Joanne Woodward and Jason Robards.

"TROUBLE WITH ANGELS" comes from Columbia with Rosalind Russell and Hayley Mills; "THE SILENCER" starring Dean Martin and Cyd Charisse; "THE CHASE" with Marlon Brando and Jane Fonda; "BORN FREE" featuring Virginia McKenna and Bill Travers and the "LAST COMMAND" with Anthony Quinn.

Among other very important pictures which we expect to play in some of our theatres later in the year are United Artists' production of James Michener's HAWAII, which stars Julie Andrews. United Artists will also release as a road-show attraction, the Cinerama feature KHARTOUM, and as regular releases THE GROUP and A THOUSAND CLOWNS.

Among a number of other pictures which will be released by United Artists during 1966 and which we will play in some of our theatres will be MADAME X, starring Lana Turner and ARABESQUE, which features Gregory Peck and Sophia Loren.

From International Film Distributors we will have Joseph Levine's production of THE OSCAR and THE LEATHER BOYS, starring Rita Tushingham.

Many Astral Film productions are successfully aimed at country music fans and teenagers, and their releases include SECOND FIDDLE TO A STEEL GUITAR and THE GHOST IN THE INVISIBLE BIKINI.

CONCLUSION

The basic philosophy of your Company and its Associates is to take the fullest advantage of current opportunities and at the same time build a sound foundation for the future. In doing this, your Directors and Officers are assisted by thousands of employees from coast to coast. We extend our thanks to them for their effective and willing co-operation and to our Shareholders, our appreciation for their continued confidence in the Company.

On behalf of the Board



President and Managing Director

March 14th, 1966

FAMOUS PLAYERS CANADIAN CORPORATION LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

	<u>FISCAL YEAR ENDED</u>	
	January 1 1966	January 2 1965
Theatre admissions (excluding amusement taxes), confection and equipment sales and other income	\$28,347,758	\$26,376,910
Theatre operating expenses, cost of goods sold and administration	24,472,429	22,969,270
Operating profit before the undernoted items	3,875,329	3,407,640
Dividends received	1,024,583	950,820
Interest earned and profit on sale of securities	423,119	434,260
	<u>5,323,031</u>	<u>4,792,720</u>
Deduct:		
Depreciation	1,120,830	1,103,510
Share of profits to minority interests	255,404	258,141
	<u>1,376,234</u>	<u>1,361,651</u>
Earnings from operations before income taxes	3,946,797	3,431,069
Incomes taxes	1,472,119	1,246,487
Earnings for the year from operations	2,474,678	2,184,582
Profit (loss) on sale of fixed assets	(42,638)	59,089
Net Earnings for the Year	<u>\$ 2,432,040</u>	<u>\$ 2,243,671</u>

Note: Remuneration of directors, as directors, officers, or employees amounted to, 1965—\$167,700; 1964—\$170,900



CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	<u>FISCAL YEAR ENDED</u>	
	January 1 1966	January 2 1965
Balance at beginning of year	\$20,392,990	\$19,886,391
Net earnings for the year	2,432,040	2,243,671
	<u>22,825,030</u>	<u>22,130,062</u>
Dividends paid (\$1.00 per share)	1,737,072	1,737,072
Balance at End of Year	<u>\$21,087,958</u>	<u>\$20,392,990</u>

FAMOUS PLAYERS CANADIAN CORPORATION

CONSOLIDATED

ASSETS

	January 1 1966	January 2 1965
CURRENT ASSETS:		
Cash	\$ 680,820	\$ 1,328,497
Short term investments	197,826	397,519
Marketable securities, at cost (market value January 1, 1966—\$6,297,667)	6,247,776	4,900,845
Receivables from affiliated companies	172,948	153,764
Other receivables	1,060,286	1,281,835
Inventories of merchandise, at the lower of cost and net realizable value	940,712	865,200
Prepaid expenses	257,202	565,564
	<u>9,557,570</u>	<u>9,493,224</u>
INVESTMENTS:		
Notes and mortgages receivable due after one year	1,290,151	1,893,163
Investment in shares of affiliated companies	5,289,214	5,247,175
Advances to affiliated companies	2,920,421	2,288,097
	<u>9,499,786</u>	<u>9,428,435</u>
FIXED ASSETS, at cost:		
Land	4,994,859	5,220,382
Buildings, equipment and leaseholds	34,990,761	33,705,295
Less—Accumulated depreciation	(24,484,374)	(24,351,782)
	<u>15,501,246</u>	<u>14,573,895</u>
OTHER:		
Prepaid royalties, etc.	384,294	416,824
<i>Approved on behalf of the Board:</i>		
 Director		
 Director		
	<u><u>\$34,942,896</u></u>	<u><u>\$33,912,378</u></u>

LIMITED AND SUBSIDIARY COMPANIES

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

	January 1 1966	January 2 1965
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,084,596	\$ 742,517
Owing to affiliated companies	138,145	111,587
Income taxes	574,067	643,462
	<u>1,796,808</u>	<u>1,497,566</u>
 DEFERRED INCOME TAXES	 150,305	 136,114
 FUNDED DEBT OF SUBSIDIARY COMPANY	 260,600	 264,000
 DEFERRED INCOME	 256,960	 219,021
 MINORITY INTEREST	 625,375	 637,797
 SHAREHOLDERS' EQUITY:		
Capital stock—		
Authorized—1,800,000 shares without nominal or par value		
Issued—1,737,072 shares	10,764,890	10,764,890
Retained earnings	21,087,958	20,392,990
	<u>31,852,848</u>	<u>31,157,880</u>
 CONTINGENT LIABILITIES:		
In respect of guarantees of indebtedness of affiliates, January 1, 1966—\$1,552,340		
 COMMITMENTS:		
Rentals payable under leases expiring more than three years from January 1, 1966 aggregate approximately \$504,000 annually		
	<u><u>\$34,942,896</u></u>	<u><u>\$33,912,378</u></u>

AUDITORS' REPORT

March 9, 1966

To the Shareholders of

FAMOUS PLAYERS CANADIAN CORPORATION LIMITED:

We have examined the consolidated financial statements of Famous Players Canadian Corporation Limited and subsidiary companies as at January 1, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the companies as at January 1, 1966 and the results of their operations for the fiscal year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also encompassed the accompanying consolidated statement of source and disposition of funds for the fiscal year ended January 1, 1966 and, in our opinion, it presents fairly the changes in working capital for the year.

A handwritten signature in cursive script, reading "Price Waterhouse".

Chartered Accountants.

FAMOUS PLAYERS CANADIAN CORPORATION LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND
DISPOSITION OF FUNDS

	FISCAL YEAR ENDED	
	January 1 1966	January 2 1965
Source of Funds:		
Net earnings for the year	\$ 2,432,040	\$ 2,243,671
Depreciation	1,120,830	1,103,510
Provision for future income taxes	14,191	(75,879)
Funds provided from operations	3,567,061	3,271,302
Decrease in notes and mortgages receivable	603,012	169,469
Other items (net)	54,647	71,024
	<u>4,224,720</u>	<u>3,511,795</u>
Disposition of Funds:		
Additions to fixed assets (net)	2,048,181	892,360
Investment in shares of and advances to affiliated companies ...	674,363	(104,571)
Dividends paid (\$1.00 per share)	1,737,072	1,737,072
	<u>4,459,616</u>	<u>2,524,861</u>
Increase (decrease) in working capital	<u>\$ (234,896)</u>	<u>\$ 986,934</u>

ASSOCIATES AND EXECUTIVE OFFICERS
FAMOUS PLAYERS CANADIAN

THEATRE ASSOCIATES

OF COMPANIES AFFILIATED WITH
CORPORATION LIMITED

ALBERTA

CALGARY

Calgary Theatres Ltd.

Mr. K. M. Leach

Sunset Drive-In Theatres Ltd.

Mr. J. R. Diamond

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